

MINORITY REPORT URGES APPROVAL OF FORD'S OFFER

Government Ownership Plan
of Committee Chairman
Protested Against.

CHARGES ARE DENIED

Great Value of Development
of Property of Ford
Pointed Out.

WASHINGTON, Aug. 4. — (By The Associated Press.)—Acceptance of Henry Ford's offer for purchase and lease of the government's vast nitrate and water power projects at Muscle Shoals, Ala., was urged by Republican and Democratic senators comprising a minority of the Senate agriculture committee in a report submitted today to the Senate. Strong protest was entered by the senators against the acceptance of the government ownership and operation plan proposed by Senator Norris of Nebraska, the committee's chairman.

The report was presented by Senator Ladd, Republican, North Dakota, and was signed by Senators Capper, Republican, Kansas, and Harrison, Mississippi; Caraway, Republican, Arkansas; Rasmussen, Republican, South Carolina, and Heflin, Alabama, Democrats, in behalf of the Ford proponents on the committee whose signatures were attached. It is estimated that the government had lost \$2,000,000 in Muscle Shoals since the Armistice by failure to develop and operate the project, and declared the quickest way to stop these losses is to accept Henry Ford's offer for the purchase and lease of the government's Muscle Shoals properties.

"Certain objections to the Ford offer seem apparent," the report said, "but we insist without fear of contradiction that none of these objections to the Ford offer can be remedied or solved by government ownership and operation. By the government going into the power business or entering the uncharted and hazardous field of operating nitrate plants at Muscle Shoals in the production of nitroglycerous and other commercial fertilizers using electro-chemical processes, the commercial success of which is yet controversial.

"The committee to adopt such a policy when Henry Ford's offer makes it unnecessary for the government to do so," it continued, "would subject Congress to the just condemnation and reproach of all sober-minded people."

The belief was expressed that every member of the Senate would agree with the committee minority with reference to the acceptance of Mr. Ford's proposal when they consider the present fuel and transportation emergency in the light of development of such great hydroelectric power as is found at Muscle Shoals, adding that it "is the only certain and permanent relief in the future from the present paralysis of the American industry."

Charges Denied.

The report called attention to charges that acceptance of Mr. Ford's tender would give him a government subsidy in the development of power and the manufacture of fertilizer and said:

"It has been claimed that the Ford offer constitutes a subsidy to Mr. Ford. If it is a subsidy, it is not such a subsidy as is proposed by the administration in the Ship Subsidy Bill."

The report then cited a comparison between the Ladd bill and that proposing federal relief for the merchant marine, showing that the former called for an expenditure of \$42,000,000 while the latter required an expenditure of \$125,000,000.

In that connection, it was contended, one measure would take the government out of the shipping business while the other would take it out of the fertilizer and power business. It was also argued in that connection that the Ladd bill would cost the government "approximately nothing" a year while the "ship subsidy bill" would necessitate an annual expenditure of \$41,500,000.

"If the Ford proposal is not to be supported on the grounds of subsidy," the report asked, "how can the American people support such a subsidy to ship operators as is here proposed?"

Referring to the relationship claimed between Muscle Shoals development and the fuel and transportation emergencies, the report said:

"No electrified railway and no industry served by water power can suffer suspension on account

A Card From Mr. Ogden

To the Republican voters of West Virginia who supported me in the primary of Tuesday:—

I wish to extend my thanks to you personally and express my appreciation of the very loyal and generous support given me in many sections of the state. Primaries are held for the purpose of deciding the party's choice. Now that the party has chosen its candidates, it is our duty to give them loyal support. I trust that all who voted for me will join in supporting the ticket enthusiastically.

H. C. OGDEN.

of a fuel supply, because hydroelectric power, both in its production and distribution, is practically free of all labor troubles. Fuel and transportation are the big national problems which now distress our people. Muscle Shoals, with the Ford offer accepted, may furnish an opportunity for the Senate to discover such fuel and transportation emergencies can be, at least in part, avoided.

The report compared in detail the Ladd and Norris bills pending in the Senate. The Ford offer as represented by the Ladd bill, the report said, "takes the government out of the fertilizer and power business" while the Nebraska member's bill "sets the government up in the fertilizer and power business."

The Norris proposal requires direct appropriation by Congress of \$64,000,000, without including any estimate for the proposed dams in the Upper Tennessee River, with no guaranteed return of either the principal of interest on same, it was said. On the other hand, the report argued, Muscle Shoals could be developed by Mr. Ford under the Ladd bill by a government bond issue, if desired, as the interest and sinking fund payments made by Mr. Ford will meet interest on such bonds and retire them at the end of lease period, except during the short construction and power loading period.

"Even those of us who are in favor of government ownership and operation," said the report, "must concede that the Muscle Shoals case is one fought with the gravest danger of heavy losses if the government undertakes to work out the fertilizer problem there. No advocate of government ownership and operation can discount the fact that the Muscle Shoals case is a good case in testing out the policy of government ownership and operation. The dangers and difficulties, many of them specialized and technical, involving problems in the field of commercial chemistry want us to be conservative and prudent with the people's money at Muscle Shoals."

An agricultural benefit to the country by development of the Shoals properties by Mr. Ford, the report asserted, will include a large scale production of fertilizers "produced under the most favorable manufacturing conditions, maintained abreast of progress in an art that is developing rapidly, and which will reduce the cost of fertilizer."

After reviewing conflicting testimony taken by the committee on the question of how much present fertilizer costs could be reduced at Muscle Shoals, the report asserted:

Would Reduce Cost.

"To our minds the evidence is convincing that there are modern electro-chemical processes which, applied at Muscle Shoals, will reduce the cost of fertilizer, but if there is any doubt on that score the United States should stay out of the business."

"Mr. Ford has agreed to pursue a plan of research and to adopt the results from his investigations, which will compel him to introduce the best available methods, and he has the necessary capital to do so."

"We, therefore, believe that among the costly problems which Mr. Ford will have to solve at Muscle Shoals, will be the selection of the most economical nitrogen fixation process, and therefore it is conceivable that Mr. Ford will be obliged to either redesign Nitrate Plant No. 2 and possibly scrap and rebuild the entire nitrogen process equipment."

"Now, since Henry Ford has the cash and has offered to spend it to meet these contingencies and dangerous financial risks as we here describe, then, speaking for ourselves, we are willing to let him have a chance to do it, but we are not willing for the United States to have the opportunity to engage in any such speculative industrial ventures."

"A fair consideration of all the facts," the report declared, "leads unmistakably to the conclusion that under the Ford offer the cost of fertilizer delivered to the farmer can be materially reduced."

"The report also points out from the present fertilizer industry the farmer might expect but little in the reduction of prices."

"These interests even declined the opportunity to use the government's nitrate plants free of cost to them, and to be allowed without paying the government a penny for the use of them to earn nine per cent on their invested operating capital before paying the government anything, and after nine per cent was earned, additional profits were to be equally divided between these interests and the govern-

ment," it said. "How can these interests justly complain against the acceptance by Congress of the Ford offer when he proposes to pay \$3,000,000 for the same nitrate plants that these interests declined to run free of any purchase or rental cost, Mr. Ford agreeing to sell fertilizer at no more than eight per cent profit."

Development of Value.

"Mr. Ford's offer will result in a development whose national value can only be compared with the accomplishment at Niagara Falls," the report continued. "The applications of electrochemistry and electrometallurgy have made the Niagara Falls hydroelectric developments successful, and in the same way it will take the skill of the chemist and the metallurgist, together with that of the hydroelectric engineer with ample capital to develop the full possibilities at Muscle Shoals, where, due to the fluctuating flow of the stream, the problems are greater than those encountered at Niagara Falls."

"To compel Mr. Ford to state just what the operations at Muscle Shoals will be and just what they will produce, is either to limit the possibilities of the project and cripple its future usefulness or else it is to ask Mr. Ford to do the impossible. No one could have foretold the Niagara developments thirty years ago."

Niagara Falls Cited.

"Niagara Falls was a most important source of indispensable munitions for this nation in the Great War and the economic value to the country of a second development of this kind in so favorable a location for its perfection as Muscle Shoals can not be computed in dollars and cents. When to this is added the well-known Ford policies, which mean that the economies will be passed on to the consumer, policies which can be perpetuated and made valid throughout the 100 year lease, irrespective of the life of Mr. Ford, it seems that ordinary business judgment indicates that the American people

should have the benefit of the Ford offer. We feel that we must accept Mr. Ford's agreement to sell fertilizer at a profit of 8 per cent as an earnest of the general policy that he may be expected to adopt at Muscle Shoals."

The Muscle Shoals project developed under the Ford offer will contribute to the advancement of American industry by introducing a plan of waterpower development which provides the means whereby hydroelectric power ultimately may be had in the United States as cheaply as in the more naturally favored countries such as Canada and Norway.

"Since a hydroelectric plant costs a great deal to construct and but little to operate, there is a feature of hydroelectric power economy well known to those in the business that the general public does not appreciate. When the \$25,000,000 which go to make up the cost of hydroelectric power at the switchboard of the generating station are examined, it is found that under the conditions of construction and financing existing in the United States, the single item of interest on the investment constitutes 30 per cent or more of the cost of the power."

"Mr. Ford proposes to eliminate the interest by amortizing and returning the investment, through the operation of a long-time sinking fund. He therefore provides a series of payments, which, when invested in a sinking fund at as low a rate of interest as 4 1/4 per cent will return the entire cost of both dams, including the \$2,000,000 already expended by the government. This eliminates the capital charges and interest and ultimately reduces the cost of power to the mere cost of operation and maintenance, which in a large plant is from \$1.00 to \$3.00 per horsepower per year or less than one-half of one mill per kilowatt hour. Under this plan the bonded indebtedness on a waterpower development is reduced instead of being increased as is the customary procedure in refinancing operations."

"We cannot withhold our support from a proposal which embraces a plan that may furnish an example of how perhaps 80 per cent of the cost of hydroelectric power to the consumer may be taken from his power bill."

100-Year Lease Approved.

The senators also declared their willingness to agree with Mr. Ford's request that the lease on the power projects be for 100 years rather than for 50 years as prescribed by the Federal Water Power Act. They asserted that the operations pro-

posed by Mr. Ford are on a scale without a parallel and call for an expenditure by him of \$50,000,000.

"In view of the fact that Mr. Ford must compete in the manufacture of electric furnace products," the report said, "with such concerns as the Aluminum Co. of America, whose rights because of location of their plants on non-navigable streams are not limited to 100 years, but are perpetual; and in view of the fact that there already exists in the country three large plants, none of which have rights for less than 99 years, it seems reasonable that, with the responsibilities undertaken by Mr. Ford, it is only fair to allow him a lease period of 100 years."

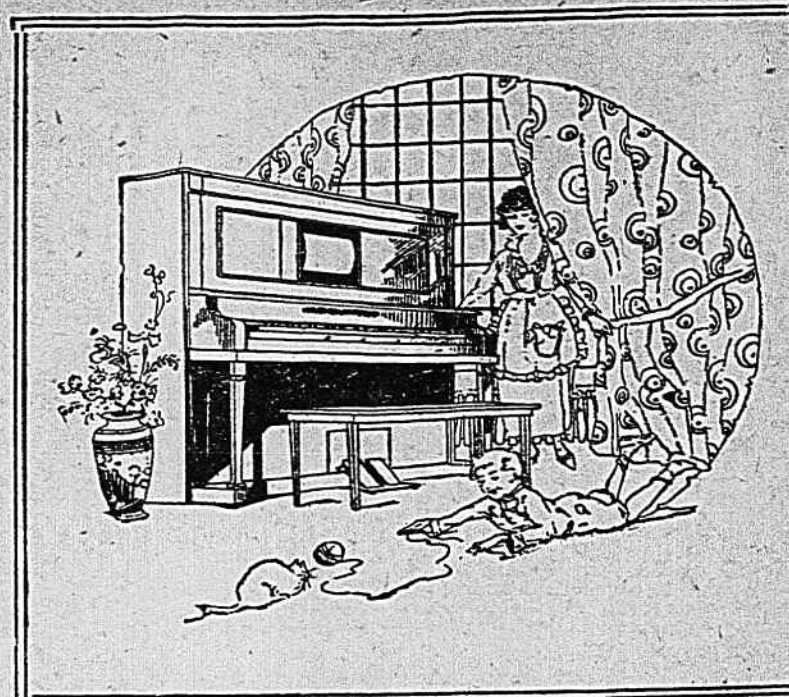
"In deciding for ourselves that rather than have the Ford offer rejected we will agree to the 100-year lease period, we have come to this conclusion mainly because we believe that if the Ford offer is rejected the government and the public will lose more in fifty years of government ownership and operation at Muscle Shoals than they will gain by refusing to consent to the 100-year lease period in Henry Ford's offer."

The report concluded with an expression of opinion on the question of including the steam power plant at Gorgas in the Muscle Shoals properties to be disposed of as requested by Mr. Ford, or of permitting the Alabama Power Co. to purchase the government's interests in that unit, in accordance with the contract executed by the company with the War Department.

"With reference to the contention about the Gorgas steam plant, it said, 'we feel that we can make little comment. Mr. Ford has advised our committee that if my revised offer for Gorgas is rejected, then I must understand that the acceptance of my offer for Muscle Shoals as a whole and not in part is refused.'

"Therefore, believing as we do that the United States has every right in the world to accept Mr. Ford's offer for Gorgas, and since Mr. Ford's offer will stand rejected unless his proposal for Gorgas is accepted, we have no difficulty in deciding what ought to be done."

We are not unmindful of the interests of the Alabama Power Co., but as a matter of duty, we are more mindful of the interests of the government at Muscle Shoals. The Alabama Power Co., desires Gorgas as an auxiliary to its waterpower development, and Mr. Ford desires Gorgas as an auxiliary to Muscle Shoals waterpower development. This phase of the case seems very clear to us."



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